



The President's Daily Brief

July 4, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

July 4, 1974

PRINCIPAL DEVELOPMENTS

The Soviets

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The Soyuz spacecraft launched yesterday with two cosmonauts aboard will probably attempt to rendezvous and dock later today with the Salyut space station launched last week. (Page 2)

The USSR may lose as much as 20 percent of its winter wheat to a plant disease. (Page 3)

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A Chinese regiment has been moving into the Ou River Valley in Laos since late May, presumably to do further construction work on the Chinese-built road system. (Page 5)

Continued heavy demand for sterling to meet payments to oil producers has strengthened the British pound since the beginning of the year. (Page 6)

Notes on a Bulgarian power struggle and Syria

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USSR

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USSR

The Soyuz spacecraft launched yesterday with two cosmonauts aboard will probably attempt to rendezvous and dock later today with the Salyut 3 space station launched last week. This mission represents a further Soviet effort to develop large space stations in earth orbit that can be manned by successive crews for long periods. This effort is also part of the Soviet preparation for the joint US-USSR space mission planned for 1975.

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Only one of the four previous Salyuts launched since 1971 has been visited by cosmonauts. That mission ended in disaster when the crew perished during re-entry after spending 23 days in orbit. Two other Salyuts developed malfunctions while in orbit, and a fourth failed to achieve orbit.

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USSR

The Soviets may lose as much as 20 percent of their winter wheat to a wheat leaf rust. Wet weather over the past two months has intensified the spread of the disease, and spring wheat is also threatened.

The disease, according to an official Soviet report, has been detected in a number of sections of the Ukraine and probably is present in other winter wheat areas as well.

The two main winter wheat varieties that are sown in the USSR have only a moderate tolerance at best to the rust, which is apparently a virulent form that appeared in 1973. About 75 percent of Soviet spring wheat is also susceptible. Substantial portions of spring wheat were planted very late this year, and severe damage to the crop could occur if large quantities of the rust spores are blown north and east from the Ukraine into planting areas.

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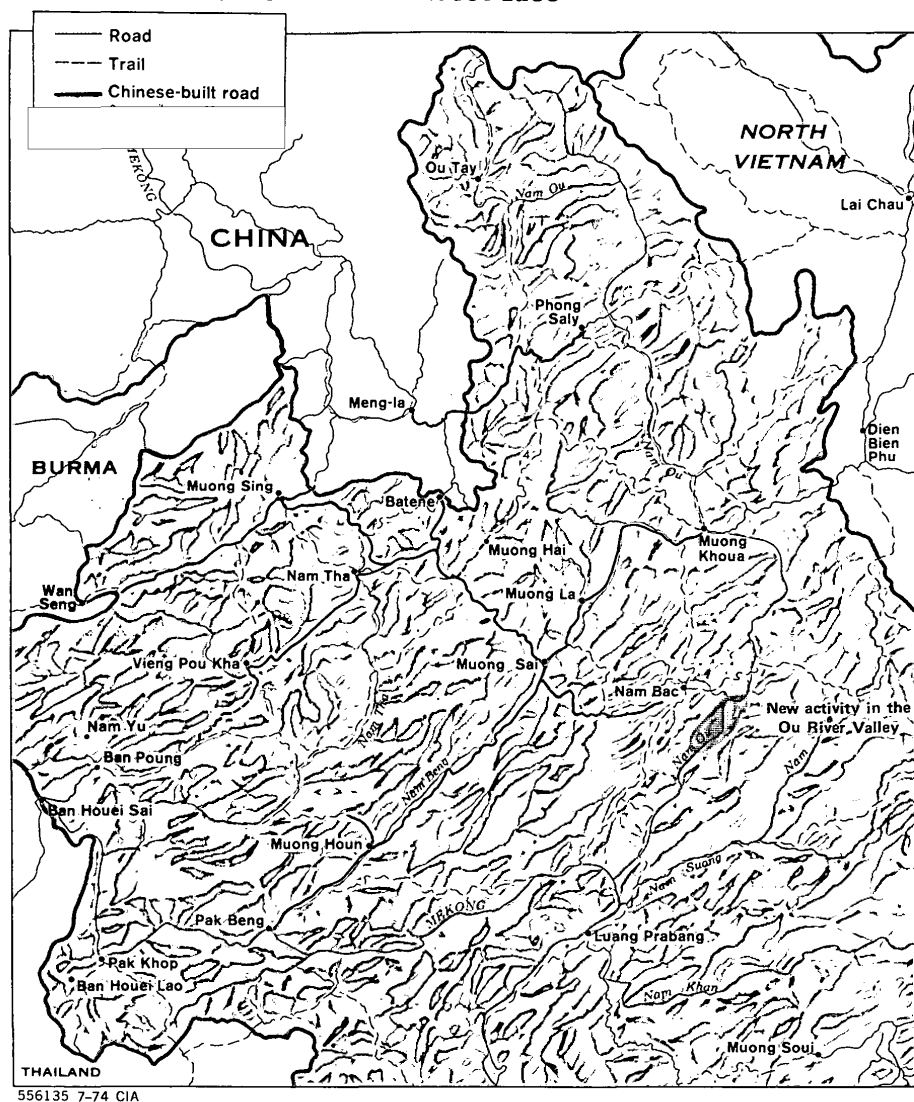
ISRAEL

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Chinese Road Network in Northwest Laos



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CHINA-LAOS

A Chinese regiment has been moving into the Ou River Valley in Laos since late May, according to communications intelligence. The regiment probably is an engineer unit and presumably will be assigned to further construction work on the Chinese-built road system.

The arrival of the new regiment may be the final phase of a large-scale rotation of forces that has taken place this past dry season. All of the Chinese infantry and air defense forces in Laos withdrew late last year and early this year, and several engineer regiments rotated in and out of the country. Including the new unit, Chinese forces in Laos consist of seven engineer regiments and 3,000 rear service troops. All told, they are estimated at 23,000 men.

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UK

Continued heavy demand for sterling to meet payments to oil producers has strengthened the British pound since the beginning of the year despite Britain's record current-account deficit. Oil producers have converted only a small share of these sterling payments into other currencies. Sterling payments into escrow accounts also have not been converted because the oil companies are unwilling to speculate with escrow funds.

Most payments to the United Arab Emirates, Kuwait, and the smaller Persian Gulf states--totaling about \$400 million each month--are in sterling. About one fourth of Saudi Arabia's receipts, about \$500 million each month, are also in sterling. So far this year, sterling payments to producers and to producer escrow accounts for participation oil have totaled about \$7 billion.

The oil producers are willing to hold sterling for several reasons:

--The recently negotiated British guarantee against exchange loss for sterling area countries.

--Extremely high interest rates in London and for sterling deposits in the Eurocurrency market.

--The lingering influence of British bankers in the Middle East.

--London's traditional importance in international finance.

The share of oil payments in sterling and the proportion of oil producers' assets held in sterling probably will decline over the next year or two. At some point the producers will not want to risk accumulating additional sterling assets. Other things being equal, the pound would then fall to a level more consistent with Britain's real economic prospects.

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NOTES

Bulgaria: A power struggle has brought down four top party leaders and appears to have shifted the political balance in Bulgaria toward the hard-liners. The highest ranking official to fall was Ivan Abadzhiev, a candidate member of the Politburo and party secretary for propaganda and agitation. He had been considered one of the three top-ranking leaders and a possible heir to party and government chief Todor Zhivkov.

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Syria

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